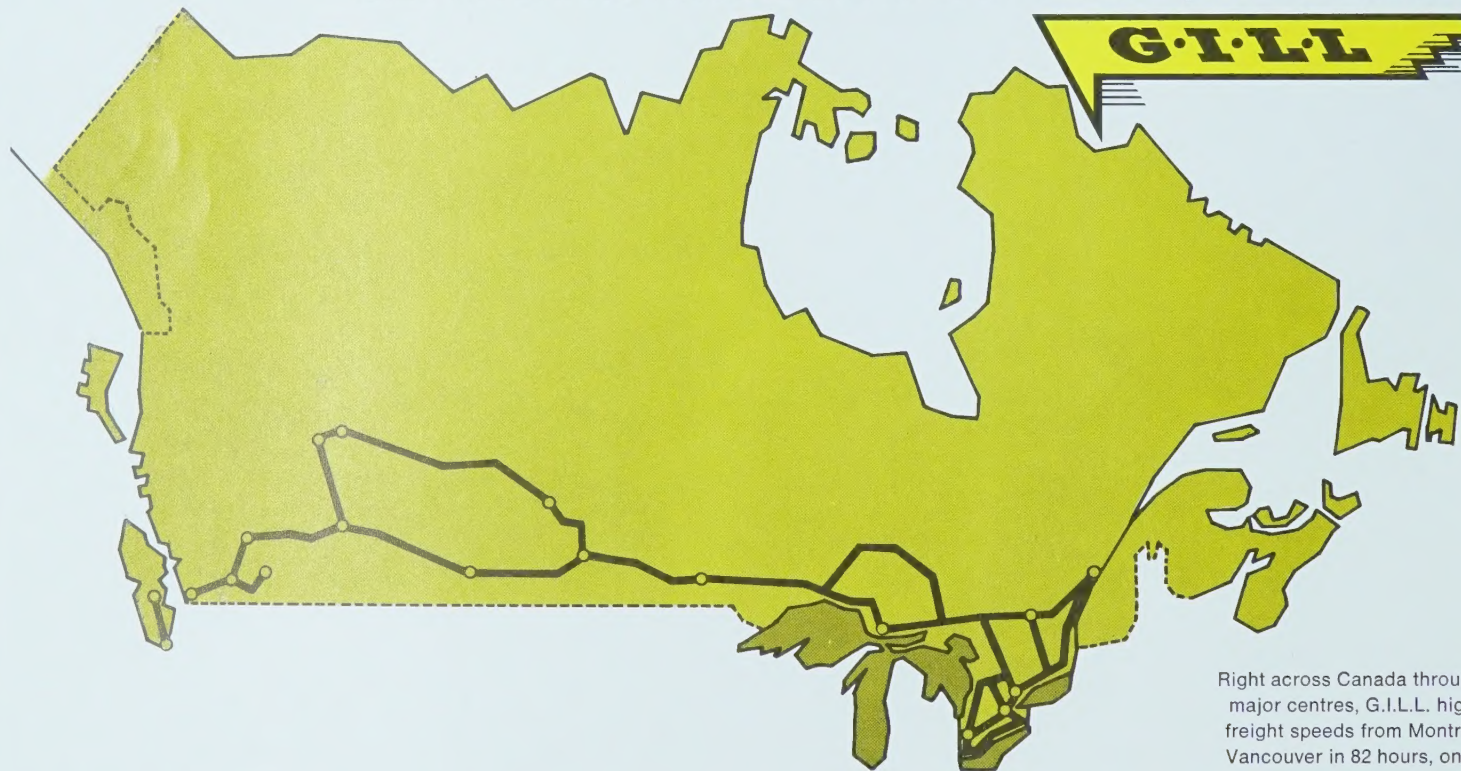


GILL INTERPROVINCIAL LINES LTD. ANNUAL REPORT 1967



GILL INTERPROVINCIAL LINES LTD. BURNABY, BRITISH COLUMBIA

G.I.L.L.



Right across Canada through all major centres, G.I.L.L. highway freight speeds from Montreal to Vancouver in 82 hours, on time!

TORONTO TERMINAL

Pictured below is a view of the loading docks at our new Toronto terminal which came into operation in September, 1967. Ultra modern office and maintenance facilities are features of the \$360,000 complex which is

located on a ten acre site that allows room for future expansion.

Gill now has terminal facilities in seven major cities across Canada servicing 8,396 miles of

transcontinental and scheduled domestic feeder and branch lines. Interconnecting lines extend our "on time" service to all major U.S. cities along the Atlantic seaboard and Pacific Coast.





TO OUR SHAREHOLDERS

The highlights of 1967 for our Company were the acquisition of the undertaking of Bestway Express Lines in July and the occupation of our new Toronto terminal and yard in September. Both of these events were steps planned by the Board of Directors for the continued expansion and development of the Company's facilities and operating rights.

Revenue for the year was \$9,471,299.00. Net income was \$533,355.00 equal to \$1.15 per share which was the same figure that was reached in 1966. Dividend payments during 1967 amounted to thirty cents per share.

While the revenue for 1967 exceeded the revenue for 1966 the pre-tax profit was lower. This was due partly to the costs of integrating the Bestway Express Line operation and partly to rising labour and wage costs throughout the system.

OPERATIONS

During 1967, 240,391,574 lbs. of freight was handled compared with 223,000,000 lbs. in 1966. Mileage travelled rose to 14,218,386 miles from 13,200,000 for the same period in the previous year.

TERMINALS

The Company's new terminal in Toronto was completed and occupied early in September of 1967. It is constructed

on a ten acre site located near the Malton airport. The Company has also entered into an agreement to lease a new 7,000 square feet terminal in Ottawa which will contain offices and dock. Construction is scheduled to commence in April, 1968 with occupancy planned for June 1968.

EQUIPMENT AND STAFF

During the year the Company's fleet of trailers and converters was maintained at a total of 402. Its diesel tractor fleet, both Company owned and leased amounted to 84. Local delivery units increased to 114. Staff increased from 375 to 465, chiefly because of the integration of Bestway Express Lines.

It is intended to dispense with leased diesel tractors during 1968.

1968 ACTIVITY

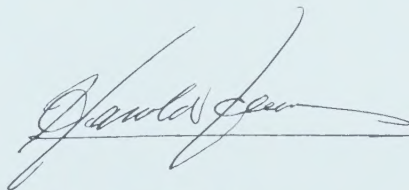
With the Bestway operating authorities now being utilized, on the basis of current operations, we anticipate a substantial increase in freight revenue for 1968. In view, however, of corresponding increases in costs we are deferring any projection concerning increase in net income until after the first half of the year.

While economic conditions generally continue to be favourable and freight traffic continues with its steady

growth in Canada we cannot disregard the 1967 experience of the industry in the United States where notwithstanding increases in operating revenues net income was eroded by the continuing rise in operating costs.

We would like again to express our appreciation to all of our staff for their loyalty and devotion to the Company during the past year including management, office, terminal and line-haul personnel and trust that their labours will again be reflected in the continued growth of the Company.

ON BEHALF OF THE BOARD OF DIRECTORS:

A handwritten signature in dark ink, appearing to read "Harold Freeman", written over a horizontal line.

HAROLD FREEMAN
President

April, 1968.

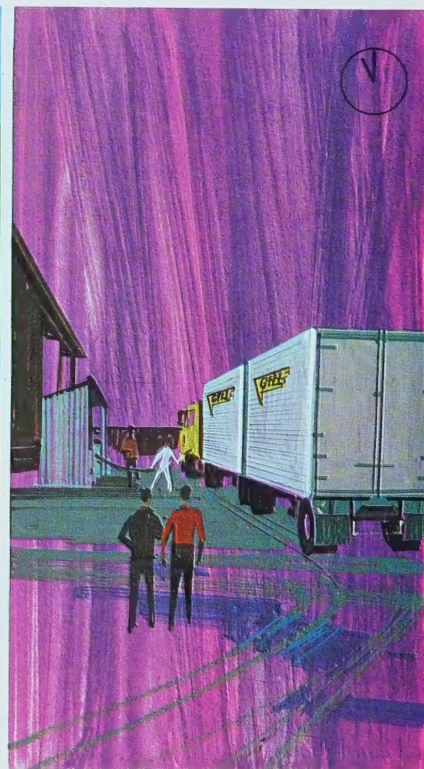
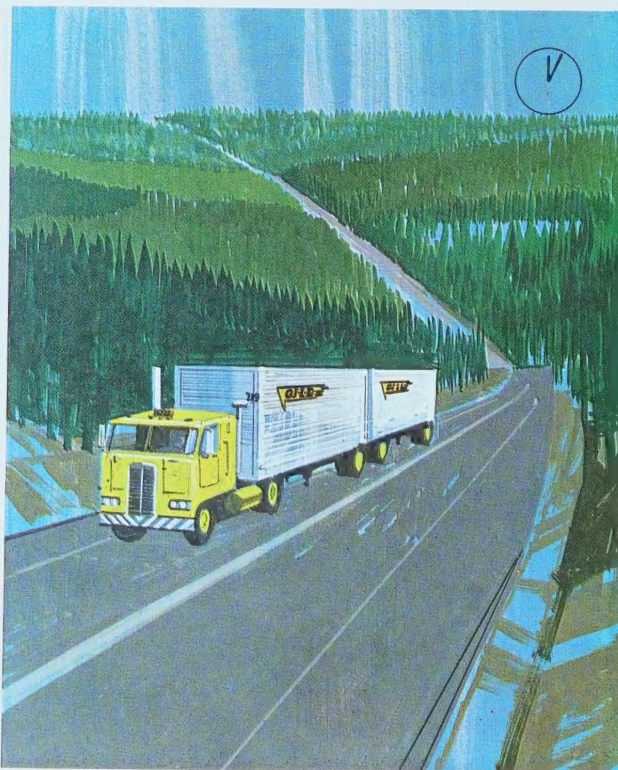
GILL PROVIDES FAST SHIPMENT OF GOODS

The "on time line" works to a fast 82 hour schedule between Montreal and Vancouver terminals — 75 hours between Vancouver and Toronto — 35 hours from Toronto to Winnipeg.

All the time, any time, our teletype network can locate and report the schedule for any shipment in the country.

Gill has more than 400 converters

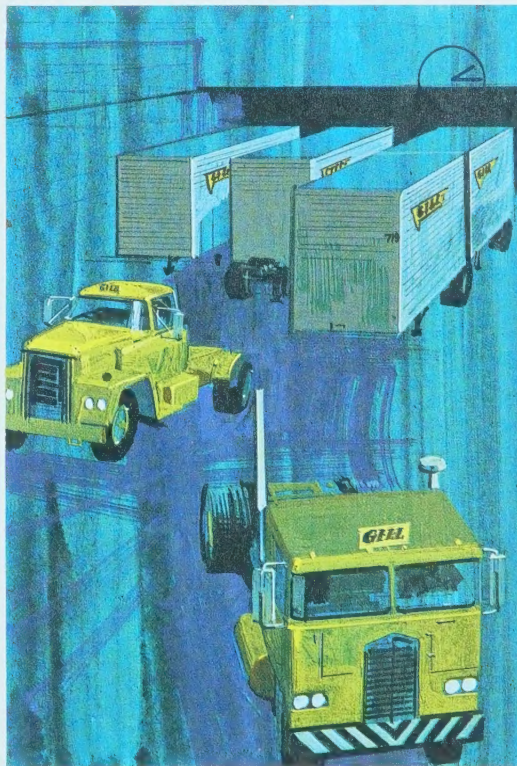
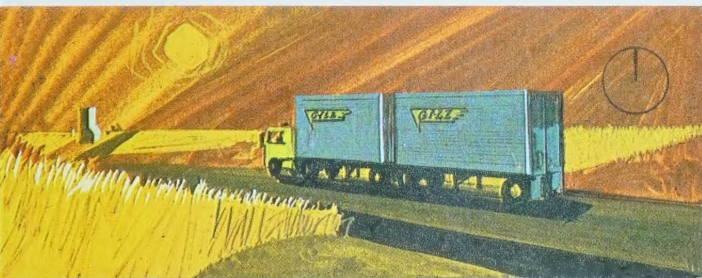
and trailers, including ones for loads that require warmth, as well as for those which need to be kept cold. It has introduced to Canada the time and cost saving 24-foot twin trailers



which eliminate much unnecessary unloading and re-loading. On arrival at their destination they can be switched to separate tractors for immediate delivery to two different

destinations without re-loading. They have the added advantage of much greater maneuverability than 40 foot trailers in congested city streets. This also contributes to speed and

efficiency. Possibility of loss or damage is sharply reduced.



Eight p.m. and a twin trailer rig leaves Montreal for Vancouver.



Hi-balling through northern Ontario at mid-day of day one.



A brief stop at Fort William refuelling point, while the town sleeps.



Noon on day two finds it near Winnipeg—flat out.



Hitting the home stretch through Rogers Pass, afternoon of third day.



Arriving at Vancouver in the wee small hours, twin trailers are switched to separate tractors for delivery to different destinations at the start of the business day.

CONSOLIDATED BALANCE SHEET

Gill Interprovincial Lines Ltd.,
and its wholly owned subsidiary,
as at December 31, 1967
(with comparative figures for 1966)

ASSETS

Current

Cash	
Accounts receivable — less allowance for doubtful accounts	
Refundable deposits	
Prepaid expenses — tires, parts, licenses, etc.	
Income tax payments refundable	

1967

\$ 29,010
881,259
54,686
211,391
94,077
<u>\$1,270,423</u>

1966

\$ 183,329
983,735
32,537
110,780
15,671
<u>\$1,326,052</u>

Fixed assets

Vehicles, equipment and buildings — at cost	
Less: accumulated depreciation	

\$3,880,352
<u>999,288</u>

2,881,064

\$2,145,596
<u>629,428</u>

\$1,516,168

Loan receivable (note 3)

119,000

—

Deferred charges

26,128

\$ 7,993

Operating rights and franchises — at cost (note 5)

1,127,761

\$ 839,521

\$5,424,376

\$3,689,734

LIABILITIES**Current**

	1967	1966
Bank loan — secured (note 2)	\$ 200,000	—
Accounts payable and accruals	1,012,650	\$ 821,137
Provision for corporation income taxes	—	152,002
Current portion of long-term liabilities	653,954	280,355
	<u>\$1,866,604</u>	<u>\$1,253,494</u>

Long-term liabilities

6¾% convertible, redeemable debentures	—	\$ 74,300
Equipment liens payable	\$1,984,082	1,064,130
7% note — repayable \$50,000 per annum	100,000	150,000
Shareholders' loans — due 31st January, 1969	100,000	—
	<u>\$2,184,082</u>	<u>\$1,288,430</u>

Deduct: repayments due within one year —
shown as a current liability

653,954	280,355
<u>1,530,128</u>	<u>\$ 1,008,075</u>

Deferred income taxes (note 1)

235,940	\$ 44,341
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Total liabilities

<u>\$3,632,672</u>	<u>\$2,305,910</u>
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Shareholders' equity**Capital stock** (note 4)

Authorized — 1,000,000 common shares without
nominal or par value

Issued and fully paid 463,893 shares (451,136—1966)	\$ 639,060	\$ 565,655
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Surplus

Retained earnings — exhibit "B"	\$1,044,023	\$ 648,666
Surplus arising from revaluation of fixed assets — less amounts realized to date	100,521	161,403
Paid-in surplus	8,100	8,100

<u>1,152,644</u>	<u>\$ 818,169</u>
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Total shareholders' equity

<u>\$1,791,704</u>	<u>\$1,383,824</u>
<u>\$5,424,376</u>	<u>\$3,689,734</u>

*The notes to the balance sheet are an
integral part of this statement.*

Approved on behalf of the Board

HAROLD FREEMAN, *Director*

MORLEY KOFFMAN, *Director*

NOTES TO THE CONSOLIDATED BALANCE SHEET

Gill Interprovincial Lines Ltd.,
and its wholly owned subsidiary,
as at December 31, 1967.

Note 1 — Deferred income taxes

Deferred income tax \$18,940 reflects the accumulated tax savings effected by claiming capital cost allowances for income tax purposes in excess of depreciation recorded in the accounts of the company. In 1967 depreciation plus loss on disposal of depreciable assets exceeded capital cost allowances claimed, resulting in a reduction in deferred income taxes of \$25,401.

At December 31, 1966 the subsidiary company had recorded depreciation in the accounts in excess of the capital cost allowance claimed for income tax purposes. For 1967 this excess has been claimed in full and the resulting savings in income taxes have been applied in part to the 1967 income (see note #1 to operating statement) and the balance \$217,000 has been deferred to future years.

Note 2 — Bank loan

The bank loan is secured by a general assignment of book accounts and by a debenture for \$500,000 charging all the assets of the company subject to prior charges.

Note 3 — Commitments

The company leases its terminals for various periods extending to 1987. Annual rentals under these leases are payable as follows:

1968 to 1970	-	-	-	-	\$163,440
1971 to 1973	-	-	-	-	139,500
1974 to 1985	-	-	-	-	109,500
1986 to 1987	-	-	-	-	37,500

Included in above rentals is a lease of a warehouse and two terminals with an annual rental of \$30,000 payable to 31st December, 1973. The lease agreement requires the company to purchase these properties on 1st January, 1974 for \$355,100 with an option to purchase before that date at an adjusted purchase price.

In respect of the agreement to purchase these properties the company has an interest-free loan of \$119,000 which amount will be set-off against the purchase price.

The company entered into a lease effective 1st September, 1967 for its Toronto terminal extending to 1987 at an annual rental of \$37,500.

Note 4 — Share capital

During the year, 10,457 shares were issued on conversion of 6¾% convertible sinking fund debentures for an attributed value of \$59,605, and 2,300 shares were issued for a cash consideration of \$13,800 on exercise of options by officers and employees.

As at 31st December, 1967 outstanding stock options to officers and employees were as follows:

- 40,000 shares at a consideration of \$6.25 per share exercisable at any time up to 31st October, 1974.
- 10,200 shares at a consideration of \$6.00 per share exercisable at any time up to 1st January, 1972.

Note 5 — Operating rights and franchises

Included in operating rights and franchises is \$804,175 which represents the excess of cost of shares in the subsidiary company over their book value.

The costs of acquiring the franchises of Bestway Lines Ltd. may involve an additional expenditure in respect of operating taxes. Although the amount has yet to be determined it is estimated that this will not exceed \$60,000.

CONSOLIDATED STATEMENT OF OPERATIONS

Gill Interprovincial Lines Ltd.,
and its wholly owned subsidiary,
for the year ended December 31, 1967
(with comparative figures for 1966)

	1967	1966
Freight revenue	\$9,471,299	\$8,723,936
Operating expenses		
Transportation	\$5,071,017	\$4,612,852
Terminals	2,223,583	1,931,853
Insurance and safety	275,016	311,885
Sales and traffic	357,013	327,718
Administration	669,303	614,979
Interest, finance charges, and sundry (interest on long-term debt \$157,999)	187,154	164,001
	<u>\$8,783,086</u>	<u>\$7,963,288</u>
	\$ 688,213	\$ 760,648
Add: realization of evaluation surplus	\$ 60,881	—
Less: loss on disposal of equipment	56,612	—
	<u>\$ 4,269</u>	<u>\$ 2,459</u>
Net profit before provision for income taxes	\$ 692,482	\$ 763,107
Deduct: provision for income taxes — note 1	159,127	243,289
	<u>\$ 533,355</u>	<u>\$ 519,818</u>
Consolidated net profit for the year		
	<u>\$ 1.15</u>	<u>\$ 1.15</u>

NOTE 1

Consolidated net profit for the year includes an amount of \$150,430 (\$141,450 — 1966) which represents a saving of income tax effected by claiming capital cost for income tax purposes in excess of depreciation recorded in the accounts of the subsidiary company.

NOTE 2

Depreciation charged to 1967 operations amounted to \$482,237.

ACQUISITION OF BESTWAY EXPRESS LINES

Effective as of July 7th, 1967 the Company acquired the business and operating rights of Bestway Express Lines whose operations extended from Montreal, Toronto and Ottawa to Winnipeg and return as well as to Calgary and return and Edmonton and return.

By the time that this report reaches the shareholders approval should have been received from the Transport Boards of the Provinces of Manitoba, Ontario and Quebec to the transfers

of the operating authorities to our Company.

It is expected that the additional freight revenue accruing to the Company from this acquisition should be reflected in 1968 by additional revenue of approximately \$2,500,000.00.

In consequence of this acquisition the Company now has complete operating authorities for the transcontinental route between Vancouver and Montreal including the intervening main urban centres.

DIRECTORS & OFFICERS

DIRECTORS

ESMOND LANDO, Q.C., President, British Pacific Insurance Co. Ltd., Vancouver, B.C.

HAROLD FREEMAN, Partner, Freeman, Freeman, Silvers & Koffman, Barristers, Vancouver, B.C.

MORLEY KOFFMAN, Partner, Freeman, Freeman, Silvers & Koffman, Barristers, Vancouver, B.C.

LARKHAM COLLINS, Partner, Collins & Collins, Chartered Accountants, Vancouver, B.C.

FREDERICK RUSSELL, Investment Counsel, Vancouver, B.C.

JAMES McDUFF, General Manager, Gill Interprovincial Lines Ltd., North Vancouver, B.C.

IRVING GOULD, Financial Consultant, Toronto, Ontario.

N. L. SANDLER, President, N. L. Sandler Co. Ltd., Toronto, Ontario.

OFFICERS

HAROLD FREEMAN, President

JAMES McDUFF, Vice-President and General Manager

MORLEY KOFFMAN, Secretary-Treasurer

AUDITORS

FREDERICK GRAHAM & COMPANY, Vancouver, B.C.

SOLICITORS

FREEMAN, FREEMAN, SILVERS & KOFFMAN, Vancouver, B.C.

TRANSFER AGENTS & REGISTRAR

Canada Permanent Trust Company, Vancouver and Toronto

Shares listed on the Vancouver Stock Exchange.

OUR ORGANIZATION

GENERAL ADMINISTRATIVE OFFICES

4878 Manor Street, Burnaby 2, B.C.
299-9333

TERMINALS

MONTREAL

324 St. Patrick Street, LaSalle, Quebec
365-2110

OTTAWA

Queensdale Avenue, Ottawa, Ontario
822-2590

TORONTO

1750 Britannia Side Rd. E., Malton, Ontario
677-4220

WINNIPEG

344 Dawson Road, St. Boniface, Manitoba
233-7117

CALGARY

4111 Portland Street, Calgary, Alberta
273-4961

EDMONTON

P.O. Box 6088, Station "C"
Edmonton, Alberta
479-5122

VANCOUVER

4878 Manor Street, Burnaby 2, B.C.
299-9333

